



MULTISTATE TAX COMMISSION

*Working Together Since 1967 to Preserve Federalism and Tax Fairness*

**To:** Omar Davis, Chair  
Members of the Commission

**From:** Roxanne Bland, Counsel

**Date:** July 31, 2007

**Subject:** Results of Bylaw 7 Survey Regarding Proposed Model Audit Sampling  
Authorization Statute and Accompanying Regulation

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On January 3, 2008, the Executive Committee approved the proposed Model Audit Sampling Authorization Statute and Accompanying Regulation. (See attachment A.)

On February 21, 2008, a Bylaw 7 Survey regarding the proposed model audit sampling authorization statute and regulation was sent to the Compact Member States. A majority of the affected Compact member states have responded affirmatively to the survey, indicating that they would consider adoption of the draft proposal. (See attachment B.) Thus, the matter may be referred to the full Commission for a vote and possible adoption as a uniformity recommendation pursuant to Bylaw 7(g).

## **Attachment A**

### **PROPOSED MODEL AUDIT SAMPLING AUTHORIZATION STATUTE And ACCOMPANYING REGULATION**

#### **Statute**

Audit Procedures.—

For purposes of administering this act, the Department may, when examining returns or records and making assessments or refunds, use statistical sampling techniques or other sampling techniques.

#### **Regulation**

Audit Procedures.—

1. For purposes of administering this act, the Department is authorized to use judgmental, probability and statistical sampling techniques.

- a. Judgmental sampling means any approach to sampling where the sample is selected based on convenience and judgment, showing characteristics where some elements of the population are subjectively favored over others, or where the chance of selection is unknown.
- b. Probability sampling means any approach to sampling where the sample units are selected into the sample based on known probabilities, and includes any sample using a method in which every element of a finite population has a known but not necessarily equal chance of being selected.
- c. Statistical sampling means any approach to sampling that has the following characteristics:
  - i. Use of probability sampling techniques to select the sample; and
  - ii. Use of probability theory to evaluate the sample results, including measurement of sampling risk.

**Attachment B**

**BYLAW 7 SURVEY RESPONSES**

(As of July 31, 2008)

**RE: Proposed Model Audit Sampling Authorization Statute and Accompanying Regulation**

**Yes**

Alabama  
Arkansas  
California  
Colorado  
Idaho  
Kansas  
Michigan  
Montana  
New Mexico  
North Dakota  
South Dakota  
Oregon  
Washington

**No**

District of Columbia  
Texas